

**SURREBUTTAL TESTIMONY AND EXHIBITS OF**  
**MICHAEL L. SEAMAN-HUYNH**  
**ON BEHALF OF**  
**THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF**  
**DOCKET NOS. 2017-207, 305, 370-E**

**IN RE: JOINT APPLICATION AND PETITION OF SOUTH CAROLINA  
ELECTRIC & GAS COMPANY AND DOMINION ENERGY,  
INCORPORATED FOR REVIEW AND APPROVAL OF A PROPOSED  
BUSINESS COMBINATION BETWEEN SCANA CORPORATION AND  
DOMINION ENERGY, INCORPORATED, AS MAY BE REQUIRED, AND  
FOR A PRUDENCY DETERMINATION REGARDING THE  
ABANDONMENT OF THE V.C. SUMMER UNITS 2 & 3 PROJECT  
AND ASSOCIATED CUSTOMER BENEFITS AND COST RECOVERY  
PLANS**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.**

**A.** My name is Michael Seaman-Huynh. My business address is 1401 Main Street,  
Suite 900, Columbia, South Carolina 29201. I am employed by the State of South Carolina  
as a Senior Regulatory Manager in the Utility Rates and Services Division of the Office of  
Regulatory Staff (“ORS”).

**Q. DID YOU PREVIOUSLY FILE TESTIMONY AND EXHIBITS IN THIS  
PROCEEDING?**

**A.** Yes. I filed direct testimony and four (4) exhibits with the Public Service  
Commission of South Carolina (“Commission”) on September 24, 2018. I also filed  
supplemental testimony and two (2) exhibits on October 19, 2018.

**Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

1 A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of  
2 South Carolina Electric and Gas Company ("SCE&G") witness Allen W. Rooks and  
3 Dominion Energy, Incorporated ("Dominion") witness Robert M. Blue. Specifically, I will  
4 address the following topics:

- 5 • Allocation methodology of the Merger Savings Rider and the Tax Savings Rider;
- 6 • "Most Favored Nation" ("MFN") clause and its importance for South Carolina  
7 ratepayers;
- 8 • Bill credit of \$2.45 million to SCE&G's natural gas customers in South Carolina;  
9 and,
- 10 • Incorporation of updates to the ORS Optimal Rate Payer Benefits Plan ("Optimal  
11 Plan").

12 **I. MERGER SAVINGS RIDER AND TAX SAVINGS RIDER ALLOCATION**

13 Q. PLEASE DISCUSS WHY ORS RECOMMENDS THE MERGER SAVINGS RIDER  
14 AND TAX SAVINGS RIDER BE ALLOCATED TO EACH CUSTOMER CLASS  
15 BASED ON ITS CONTRIBUTION TO SCE&G'S 2017 FIRM PEAK DEMAND.

16 A. As I discussed in my Direct Testimony, SCE&G has not performed a Cost of  
17 Service Study as part of the joint application and petition of SCE&G and Dominion  
18 (together the "Applicants") in Docket No. 2017-370-E ("Application"). In response to  
19 ORS discovery regarding a Cost of Service Study, SCE&G stated:

20 "Because the only request is for a rate decrease and because that decrease  
21 is being allocated by class demand, just as the revised rates which it offsets  
22 were allocated, a cost of service study was not performed for the twelve

months ending September 30, 2017. As a result, the requested information is not available.”<sup>1</sup>

SCE&G has stated that it does not consider the Application a general rate proceeding and that it should not be treated as such. ORS agrees that this proceeding is unique, and should not be reviewed in the same manner as a general rate case. ORS has taken a position that provides the most benefits to those customers that have been most affected by the Base Load Review Act (BLRA) increases over the last ten (10) years. To support this position, ORS determined it was appropriate to allocate any increases or decreases to customer classes based on demand. Further, the Commission has not reviewed or determined the allocation methodology for customers to receive the savings related to the Tax Cuts and Jobs Act.

In rebuttal testimony, SCE&G witness Rooks recommends that Tax Savings Rider benefits be allocated on energy sales rather than contribution to peak demand.<sup>2</sup> Savings could be allocated using either peak demand or energy sales. However, ORS utilized an allocation consistent with the Capital Cost Recovery Rider (“CCR Rider”). Should the Commission determine that the allocation of the Merger Savings Rider and Tax Savings Rider should be based on an allocation different from that proposed by ORS, ORS would review any such change and provide additional recommendations to the Commission.

## **II. ORS RECOMMENDATION FOR A MOST FAVORED NATION CLAUSE**

**Q. PLEASE DISCUSS THE ORS RECOMMENDATION THAT THE COMMISSION INCLUDE A MFN CLAUSE IN THE FINAL ORDER.**

<sup>1</sup> Response to ORS AIR 1-9, attached as ORS Surrebuttal Exhibit MSH-1.

<sup>2</sup> Rebuttal Testimony of Allen W. Rooks, page 4, lines 13-16.

1     **A.**             The inclusion of an MFN clause in the Commission’s final order would ensure that  
2             SCE&G’s South Carolina electric and natural gas customers receive the same benefits and  
3             protections as those received by customers served by other SCANA Corporation  
4             (“SCANA”) subsidiaries: Public Service Company of North Carolina, Incorporated  
5             (“PSNC”) in North Carolina and SCANA Energy Marketing, Inc. in Georgia. Dominion  
6             witness Blue states the North Carolina Stipulation Agreement, attached to my  
7             Supplemental Testimony as Supplemental ORS Exhibit MSH-1, is “...only applicable to  
8             any protections provided to Dominion Energy North Carolina (“DENC”) and PSNC in  
9             other jurisdictions.”<sup>3</sup> The intent of the MFN clause in the North Carolina Stipulation  
10            Agreement is to ensure that PSNC customers would receive the same benefits and  
11            protections as natural gas customers in South Carolina and Georgia. Witness Blue  
12            narrowly interprets the MFN to apply to customers on DENC and PSNC and not to  
13            customers of the affiliated electric and natural gas utilities. In the event of a merger, South  
14            Carolina customers should receive the same treatment as customers in North Carolina and  
15            Georgia. For these reasons, ORS maintains the Commission should include a MFN clause  
16            in its final order.

17                             **III.    ORS RECOMMENDED BILL CREDIT**

18     **Q.    PLEASE ADDRESS DOMINION WITNESS BLUE’S CHARACTERIZATION OF**  
19             **ORS’S PROPOSAL FOR A \$2.45 MILLION RATE CREDIT TO SCE&G’S**  
20             **NATURAL GAS CUSTOMERS AS OUTSIDE OF THE SCOPE OF THE**  
21             **CURRENT PROCEEDING.**

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<sup>3</sup> Rebuttal Testimony of Robert M. Blue, page 12, line 22 & page 13, lines 1-2.

1 A. ORS's recommendations for conditions and benefits for SCE&G's natural gas  
2 operations are not beyond the scope of this proceeding. A merger between SCANA and  
3 Dominion will impact SCE&G, including all natural gas Local Distribution Company  
4 ("LDC") operations. The electric and LDC operations are directly linked under the  
5 SCE&G umbrella through debt issuances and shared costs. To the extent that SCANA and  
6 SCE&G are impacted in the market from a ratings perspective, the natural gas customers  
7 are also affected.

8 The merger between Dominion and SCANA will generate savings to SCE&G's  
9 customers, both electric and natural gas. To the extent that Dominion and SCANA have  
10 voluntarily requested the Commission approve a merger and/or acquisition, both electric  
11 and natural gas customers will be impacted. In SCE&G witness Addison's direct  
12 testimony, he states that, absent the merger, if SCE&G were to offer the benefits  
13 comparable to the merger that "There would be a significant risk that SCE&G would not  
14 be able to access the cash needed to support ongoing utility service to its gas and electric  
15 customers."<sup>4</sup> He further states that "SCE&G's capital costs—and ultimately the rates it  
16 charges to customers—could rise dramatically and the increased costs remain embedded  
17 in SCE&G's capital structure for decades."<sup>5</sup> The Commission's decision related to the  
18 merger between SCANA and Dominion will impact both electric and natural gas customers  
19 in South Carolina for years to come. ORS's recommendations to provide protections and  
20 benefits to natural gas customers are appropriate and equitable.

21 Q. DID DOMINION AND SCE&G ADDRESS IMPACTS TO NATURAL GAS  
22 CUSTOMERS IN THIS DOCKET?

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<sup>4</sup> Direct Testimony of Jimmy Addison, page 20, lines 2-4

<sup>5</sup> Direct Testimony of Jimmy Addison, page 20, lines 10-12

1 A. Yes. SCE&G, Dominion, and Transcontinental Gas Pipe Line Company, LLC  
2 (“Transco”) filed a Settlement Agreement with the Commission on October 24, 2018  
3 (“Settlement Agreement”) which places requirements for the solicitation of natural gas  
4 transmission capacity of 100,000 dekatherms per day or more. SCE&G electric operations  
5 contracts for natural gas capacity separately from SCE&G LDC operations, and this  
6 Settlement Agreement directly places conditions on both electric and LDC operations. By  
7 the filing of this Settlement Agreement, SCE&G and Dominion acknowledge the merger  
8 will impact natural gas customers.

9 **Q. DOES ORS OBJECT TO THE SETTLEMENT AGREEMENT FILED BY SCE&G,**  
10 **DOMINION, AND TRANSCO?**

11 A. No. ORS believes the Settlement Agreement is in the best interest of all of  
12 SCE&G’s customers, both electric and natural gas.

13 **Q. DOES ORS BELIEVE A BILL CREDIT IS THE MOST APPROPRIATE MANNER**  
14 **TO GUARANTEE SAVINGS TO NATURAL GAS CUSTOMERS?**

15 A. Yes. ORS affirms its original position that the proposed \$2.45 million Bill Credit  
16 to natural gas customers is the best way to guarantee SCE&G natural gas customers receive  
17 benefits related to the merger.

18 **IV. UPDATE TO ORS OPTIMAL PLAN**

19 **Q. HAVE YOU UPDATED AND REVISED THE CUSTOMER IMPACTS OF THE**  
20 **ORS OPTIMAL PLAN?**

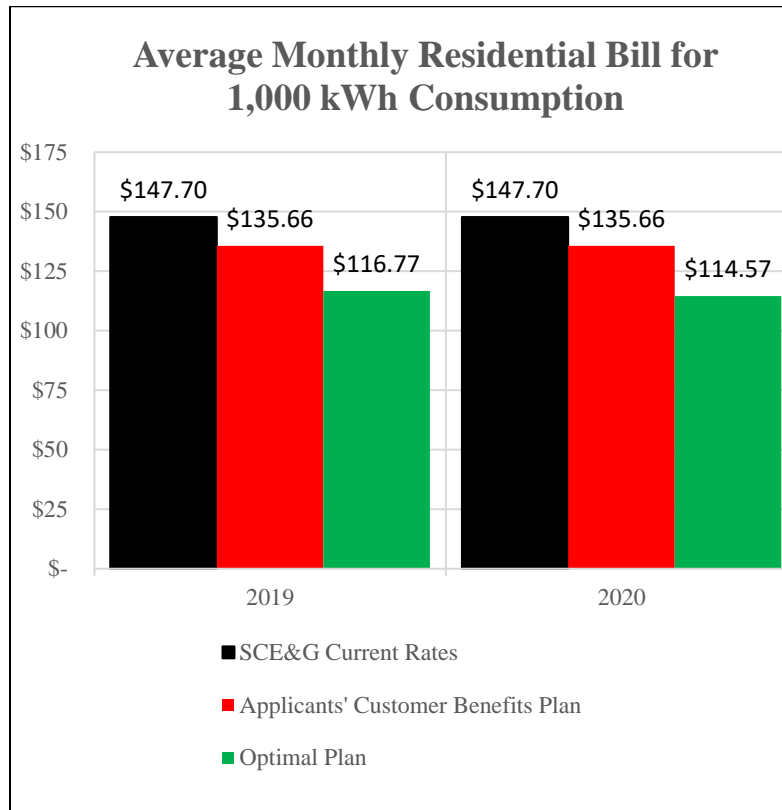
21 A. Yes. In response to the updates provided in the Surrebuttal Testimony and Exhibits  
22 of ORS witness Kollen, I revised the calculations of the ORS’s recommended CCR Rider

1 for each customer class. The updated revenue requirement for the CCR Rider by customer  
2 class are shown in ORS Surrebuttal Exhibit MSH-2.

3 **Q. WHAT IS THE NET IMPACT OF THE ORS OPTIMAL PLAN ON THE**  
4 **AVERAGE MONTHLY BILL FOR A TYPICAL RESIDENTIAL CUSTOMER?**

5 **A.** As shown in ORS Surrebuttal Exhibit MSH-3, under the Optimal Plan the average  
6 monthly bill for a residential customer on Rate 8 using 1,000 kWh monthly (“Residential  
7 Customer”) will decrease by approximately \$30.93, or 20.94%, from \$147.70 to \$116.77  
8 in the first year. In the second year, the Optimal Plan will reduce a Residential Customer’s  
9 bill to approximately \$114.57, a reduction of \$33.13 or 22.43% over current rates. Table  
10 1 below provides a comparison of average monthly bills under SCE&G’s current rates  
11 (excluding the experimental rates to temporarily reduced SCE&G’s rates effective in April  
12 2018 ordered by the Commission in Order 2018-459 (“Experimental Rates”)), the  
13 Applicants’ Customer Benefits Plan (“CBP”) (excluding the Applicants proposed one-time  
14 rate credit to electric customers totaling \$1.3 billion (“Rate Credit”)), and the Optimal Plan  
15 (excluding the ORS proposed one-time Tax Refund).

**Table 1: Average Monthly Residential Bill for 1,000 kWh Consumption<sup>6,7,8</sup>**



## CONCLUSION

**Q. WILL YOU UPDATE YOUR TESTIMONY BASED ON INFORMATION THAT BECOMES AVAILABLE?**

**A.** Yes. ORS fully reserves the right to revise its recommendations via supplemental testimony should new information become available not previously provided by the Applicants, or from pending state and federal investigations and lawsuits.

**Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

**A.** Yes, it does.

<sup>6</sup> SCE&G Current Rates exclude the Experimental Rates.

<sup>7</sup> CBP excludes Rate Credit.

<sup>8</sup> Optimal Plan excludes the ORS proposed one-time Tax Refund.



**SOUTH CAROLINA ELECTRIC & GAS COMPANY  
OFFICE OF REGULATORY STAFF'S CONTINUING  
AUDIT INFORMATION REQUEST  
DOCKET NO. 2017-207-E (2nd Continuing AIR)  
DOCKET NO. 2017-305-E (1st Continuing AIR)  
DOCKET NO. 2017-370-E (1st Continuing AIR)**

**REQUEST 1-9:**

Please provide a Per Book Jurisdictional Cost Study reflecting twelve-months ending September 30, 2017 operations and include a fully distributed cost analysis for the South Carolina Retail jurisdiction.

**RESPONSE 1-9:**

Because the only request is for a rate decrease and because that decrease is being allocated by class demand, just as the revised rates which it offsets were allocated, a cost of service study was not performed for the twelve months ending September 30, 2017. As a result, the requested information is not available.

Office of Regulatory Staff  
Allocation of Revenue Changes (2019)  
South Carolina Electric & Gas Company  
Docket No. 2017-370-E

Rate Class	Present Revenues Annualized <sup>1,2</sup>	ORS Proposed Revenue Annualized	ORS Base Rate Reduction Increase/(Decrease)	ORS Capital Cost Recovery Rider Increase/(Decrease)	ORS Merger Savings Rider Increase/(Decrease)	ORS Tax Savings Rider Increase/(Decrease)	ORS Total Revenue Increase/(Decrease) (Total)	ORS Percent Increase/(Decrease) (Total)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Residential Service	\$ 1,114,356,908	\$ 880,970,862	\$ (210,752,463)	\$ 40,687,673	\$ (16,576,000)	\$ (46,745,256)	\$ (233,386,046)	-20.94%
Small General Service	\$ 464,542,926	\$ 370,961,823	\$ (84,505,686)	\$ 16,314,588	\$ (6,646,500)	\$ (18,743,505)	\$ (93,581,103)	-20.14%
Medium General Service	\$ 237,995,900	\$ 187,928,285	\$ (45,212,099)	\$ 8,728,605	\$ (3,556,000)	\$ (10,028,121)	\$ (50,067,615)	-21.04%
Large General Service	\$ 606,168,714	\$ 490,411,995	\$ (104,530,730)	\$ 20,180,605	\$ (8,221,500)	\$ (23,185,094)	\$ (115,756,719)	-19.10%
Total Retail	\$ 2,423,064,448	\$ 1,930,272,965	\$ (445,000,978)	\$ 85,911,471	\$ (35,000,000)	\$ (98,701,976)	\$ (492,791,483)	-20.34%

1. Twelve months ending September 30, 2017.  
2. Response to ORS AIR 1-13.

Office of Regulatory Staff  
Allocation of Revenue Changes (2020)  
South Carolina Electric & Gas Company  
Docket No. 2017-370-E

Rate Class	Present Revenues Annualized <sup>1,2</sup>	ORS Proposed Revenue Annualized	ORS Base		ORS Capital Cost		ORS Merger Savings Rider		ORS Tax Savings Rider		ORS Total Revenue		ORS Percent Increase/(Decrease) (Total)
			Rate Reduction Increase/(Decrease)	(c)	Recovery Rider Revenue Increase/(Decrease)	(d)	Increase/(Decrease)	(e)	Increase/(Decrease)	(f)	Increase/(Decrease) (Total)	(g)	
(a)	(b)	(b)	(c)	(c)	(d)	(d)	(e)	(e)	(f)	(f)	(g)	(g)	(h)
Residential Service	\$ 1,114,356,908	\$ 864,394,862	\$ (210,752,463)	\$	40,687,673	\$	(33,152,000)	\$	(46,745,256)	\$	(249,962,046)		-22.43%
Small General Service	\$ 464,542,926	\$ 364,315,323	\$ (84,505,686)	\$	16,314,588	\$	(13,293,000)	\$	(18,743,505)	\$	(100,227,603)		-21.58%
Medium General Service	\$ 237,995,900	\$ 184,372,285	\$ (45,212,099)	\$	8,728,605	\$	(7,112,000)	\$	(10,028,121)	\$	(53,623,615)		-22.53%
Large General Service	\$ 606,168,714	\$ 482,190,495	\$ (104,530,730)	\$	20,180,605	\$	(16,443,000)	\$	(23,185,094)	\$	(123,978,219)		-20.45%
Total Retail	\$ 2,423,064,448	\$ 1,895,272,965	\$ (445,000,978)	\$	85,911,471	\$	(70,000,000)	\$	(98,701,976)	\$	(527,791,483)		-21.78%

1. Twelve months ending September 30, 2017.  
2. Response to ORS AIR 1-13.

**Office of Regulatory Staff**  
**Average Monthly Residential Bill for 1,000 kWh Consumption**  
**South Carolina Electric & Gas Company**  
*Docket No. 2017-370-E*

	<u>1st Year</u> <u>2019</u>	<u>2nd Year</u> <u>2020</u>
<b>SCE&amp;G Current Rates<sup>1,2</sup></b>	\$147.70	\$147.70
<b>Applicants' Customer Benefits Plan<sup>3</sup></b>	\$135.66	\$135.66
<b>Optimal Plan<sup>4</sup></b>	\$116.77	\$114.57

<sup>1</sup> SCE&G Current Rates bill includes the approved rates in Docket Nos. 2018-2-E and 2018-42-E effective May 1, 2018.

<sup>2</sup> SCE&G Current Rates bill exclude the Experimental Rates.

<sup>3</sup> Applicant's Customer Benefits Plan bill does not include the proposed Rate Credit.

<sup>4</sup> Optimal Plan bill does not include the ORS proposed one-time Tax Refund.